

Message Text

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ACTION IO-14

INFO OCT-01 ADP-00 AF-10 ARA-11 EA-11 EUR-25 NEA-10 RSC-01

AID-20 IGA-02 COME-00 TRSE-00 SS-15 NSC-10 PA-03

PRS-01 USIA-12 PM-07 L-03 OMB-01 RSR-01 /158 W

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R 081342 Z JUN 73

FM USMISSION GENEVA

TO SECSTATE WASHDC 9718

INFO USMISSION UN NY

UNCLAS GENEVA 2747

E. O. 11652: NA

TAGS: EAID, UNDP

SUBJECT: UNDP 16 TH GC - AGENDA ITEM 8 A

1. MOST OF TUESDAY AND PART OF WEDNESDAY TAKEN UP BY DISCUSSION AGENDA ITEM 8 A (FINANCIAL OUTLOOK AND FINANCIAL REPORTS) AFTER A RUSH EFFORT COMPLETED TRANSLATIONS MONDAY NIGHT. ALMOST EVERY DELEGATION PRESENT SPOKE ON THIS ITEM, SOME SEVERAL TIMES.

2. THERE IS STILL CONSIDERABLE CONCERN IN GC THAT UNDP MAY END PRESENT PROGRAM CYCLE WITH A DEFICIT OF SOME UNDETERMINED SIZE, BUT COUNCIL MEMBERS ARE CLEARLY MORE RELAXED ABOUT PROSPECT THAN WAS TRUE AT JANUARY SESSION. THERE WAS GENERAL AGREEMENT WITH THE ADMINISTRATOR'S CONCLUSION IN DOCUMENT DP/ L.284 THAT BECAUSE OF FINANCIAL STRINGENCY NO INCREASES IN IPF' S CAN BE ALLOWED, NOTWITHSTANDING MERITS OF SUCH REQUESTS. THIS SEEMS TO EFFECTIVELY CLOSE DOOR ON PAKISTAN- BANGLADESH REQUESTS. SEVERAL DELEGATES SPOKE STRONGLY AGAINST ANY INCREASES AND PAKS, PERHAPS SENSING FUTILITY OF ANY FURTHER ARGUMENTS, DID NOT COMMENT AT ALL.

3. OPINION WAS DIVIDED ON QUESTION OF WHETHER UNUSED BALANCE OF 1972 PROGRAM RESERVE SHOULD REVERT TO GENERAL RESOURCES OR BE SHUNTED TO 25 LEAST DEVELOPED. NORWAY FAVORED GIVING FUNDS TO 25 LEAST DEVELOPED, SWEDEN WAS UNDECIDED AND DANES DID NOT COMMENT. UK, US AND SEVERAL OTHERS SUGGESTED PRESENT PRACTICE

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BE CONTINUED WITH UNUSED FUNDS REVERTING TO GENERAL RESOURCES.

BALANCE SEEMS TO BE ON SIDE OF US AND UK.

4. ALMOST ALL DELEGATES REITERATED GENERAL VIEW EXPRESSED AT LAST GC THAT CUT IN PROGRAM UNACCEPTABLE METHOD OF MEETING THE PROJECTED DEFICIT AND THAT BEST SOLUTION WOULD BE INCREASE IN LEVEL OF CONTRIBUTIONS. FROM OUTSET HOWEVER IT BECAME APPARENT SUBTLE SHIFT HAS OCCURRED IN THINKING OF DELEGATIONS. BEGINNING WITH NORWEGIANS, WHO SPOKE FIRST, THERE WERE REPEATED REMARKS THAT INCREASES MUST COME FROM ALL DONORS NOT JUST LARGE DEVELOPED COUNTRIES AND THAT ALL CONTRIBUTIONS MUST BE IN FULLY CONVERTIBLE CURRENCIES EXCEPT POSSIBLY FROM POOR RECIPIENT COUNTRIES. SOVIET CONTENTION THAT "NON- IMPERIALIST" NATIONS HAD NO OBLIGATION TO INCREASE CONTRIBUTIONS WAS SPECIFICALLY REFUTED BY AUSTRALIA. BRAZIL SUGGESTED THOSE DONORS WHICH RECEIVED RETURNS FROM EQUIPMENT SALES AND SUBCONTRACTS GREATER THAN AMOUNT OF CONTRIBUTIONS SHOULD INCREASE THEIR CONTRIBUTIONS BY VERY LARGE INCREMENTS.

5. CHANGED ATTITUDE ALSO REFLECTED BY SEVERAL QUESTIONS TO ADMINISTRATION ABOUT WHEN ACTUAL CASH CRISIS MIGHT DEVELOP AND WHETHER PROGRAM IMPLEMENTATION LAG MIGHT, IN FACT, OBIVATE NECESSITY FOR ANY FORMAL CUTBACK IN IPF' S OR PROGRAMS AND ALSO PREVENT ACTUAL CASH CRISIS FROM DEVELOPING. ADMINISTRATION NOTED THAT IMPLEMENTATION IN FACT LAGGING AND THAT CYCLE COULD WND WITH A CASH SURPLUS RATHER THAN A DEFICIT BUT POINTED OUT THAT THIS ONLY PUT OFF PROBLEM RATHER THAN SOLVING IT SINCE APPROVED PROGRAMS AND PROJECTS WOULD STILL HAVE TO BE COMPLETED AND PAID FOR EVEN IF THIS CAME AFTER END OF PROGRAM CYCLE.

6. SEVERAL DELEGATIONS COMMENTED ON DATA IN DP/ L.284 DEALING WITH LIQUIDITY PROBLEM. JAPAN VOLUNTEERED TO CONSIDER REPHASING ITS PAYMENTS SCHEDULE TO PAY IN WINTER MONTHS WHEN CASH INFLOW ALWAYS AT AN EBB. SEVERAL DELEGATIONS CALLED FOR PROMPT AND FULL PAYMENTS OF ARREARS BY ALL THOSE LAGGING AND FOR FULLY CONVERTIBLE CONTRIBUTIONS. SWEDEN, CANADA AND US DEL ALL RAISED MATTER OF ADVANCES TO EXECUTING AGENCIES AND SUGGESTED PIPELINE MIGHT BE SHORTENED.

7. QUESTION OF POSSIBLE MERGER OF IPF' S AND AGENCY OVERHEAD COSTS MET ALMOST COMPLETELY NEGATIVE RESPONSE ALTHOUGH ADMINIS-
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TRATOR' S ARGUMENTS AGAINST IT CONSIDERED INSUBSTANTIAL BY MANY DELEGATES. BRAZIL(WHICH HAD ORIGINATED IDEA AT LAST GC) COM- PLAINED THAT ADMINISTRATOR HAD MISUNDERSTOOD THEIR DESIRES. IN CHOOSING TO HAVE NON- UN SYSTEM EXECUTING AGENCY FOR CERTAIN PROJECTS, SAID BRAZIL, THE RECIPIENT COUNTRY IS PENALIZED BY HAVING OVERHEAD COSTS DEDUCTED FROM ITS IPF RATHER THAN HAVING THEM PAID FROM GENERAL FUNDS SET ASIDE FOR AGENCY OVERHEAD COSTS. IT WAS THIS PENALTY THAT BRAZIL HOPED TO HAVE REMOVED, RATHER THAN OBTAINING ANY RIGHT TO NEGOTIATE WITH EXECUTING AGENCIES ON LEVEL OF

OVERHEAD PAYMENTS. ADMINISTRATION HAS NOT YET GIVEN ANY CLEAR RESPONSE ON THIS POINT.

8. USE OF THE OPERATIONAL RESERVE TO COVER SMALL PROJECTED SHORTFALL IN 1974 WAS GENERALLY OPPOSED BECAUSE IT DOES NOT SEEM A TEMPORARY USE OF OR FOR THAT PURPOSE, WHAT WITH LARGER DEFICIT STILL LOOMING FOR 1975 AND 1976. BUT THERE IS EVIDENCE OF SOME WAFFLING ON THIS BY SEVERAL DELEGATIONS DESPITE RECOGNITION THAT SUBSTANTIAL PORTION OF OR IS EITHER FAIRLY ILLIQUID (IBRD HOUSING LOAN PARTICIPATIONS E. G.) OR NON- CONVERTIBLE (ROUBLES, PESOS AND ZLOTIS E. G.).

9. THERE WAS NEARLY UNIFORM OPINION THAT ADMINISTRATIVE COSTS SHOULD BE HELD AS LOW AS POSSIBLE BUT SUCH REMARKS HAD A HALF-HEARTED TONE OF HOPELESSNESS IN MANY CASES. THE CANADIAN, BRITISH AND SOME OTHER DELEGATES OBJECTED TO THE APPARENT ENDORSEMENT BY THE ADMINISTRATOR, IN PARA 10 OF DP/ L.284, OF THE ACABQ OPINION THAT COST- ACCOUNTING ON A PROJECT BY PROJECT BASIS WOULD BE INEFFICIENT, TIME CONSUMING AND EXPENSIVE. ADMINISTRATION EXPLAINED THAT IN INITIAL STAGES NEW COST MEASUREMENT SYSTEM WOULD NOT OPERATE ON PROJECT BY PROJECT BASIS BUT THAT FUTURE EVOLUTION COULD BE TOWARD THAT GOAL. SUBSTANTIAL EXPRESSION OF OPINION DEVELOPED AMONG DELEGATES THAT AT LEAST COST MEASUREMENT BY TYPES OR CATEGORIES OF PROJECTS SHOULD BE A FAIRLY NEAR TERM GOAL AND SOME DELEGATES PERSISTED IN URGING COST MEASUREMENTS ON INDIVIDUAL PROJECTS AT SOME FUTURE STAGE IN DEVELOPMENT OF NEW COST MEASUREMENT SYSTEM.

10. THE US INTERVENTION WAS ON LINES OF POSITION PAPER AND HAPPILY WE FOUND OURSELVES AMONG THE MAJORITY ON VIRTUALLY EVERY ITEM OF THE DISCUSSION. BASSIN

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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 08 JUN 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973GENEVA02747
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730621/aaaajcpb.tel
Line Count: 150
Locator: TEXT ON-LINE
Office: ACTION IO
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: martinml
Review Comment: n/a
Review Content Flags:
Review Date: 15 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15-Oct-2001 by phillir0>; APPROVED <27 FEB 2002 by martinml>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> wfs 980209
Subject: UNDP 16 TH GC - AGENDA ITEM 8 A
TAGS: EAID, SZ, UNDP
To: IO
SECSTATE WASHDC
UN NY
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005